

**MONTEZUMA COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2015**



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**Montezuma Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2015**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Pete Ross	President	2015
Doug Johnston	Vice President	2015
Jason Meyer	Board Member	2017
Vince Johnson	Board Member	2017
Stacie Cameron	Board Member	2015
<b>School District Officials</b>		
Dave VerSteeg	Superintendent	2015
Anita Sietstra	Board Secretary/Treasurer	2015
Ahlers & Cooney	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Montezuma Community School District  
Montezuma, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 14 to the financial statements, Montezuma Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ending June 30, 2012, and we have audited the financial statements for the two years ending June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of the Montezuma Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montezuma Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

January 25, 2016

Montezuma Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 Financial Highlights**

General Fund revenues decreased from \$5,240,451 in fiscal year 2013 to \$5,161,645 in fiscal year 2014, while General Fund expenditures increased from \$5,273,374 in fiscal year 2013 to \$5,611,090 in fiscal year 2013. The District's General Fund balance decreased from \$1,305,135 at the end of fiscal year 2013 to \$855,689 at the end of fiscal year 2014.

The fiscal year 2014 General Fund revenue decrease was attributable to decreases in local and other sources. The increase in expenditures was due primarily to an increase in instruction costs and asbestos removal costs.

The District continues to support professional development for implementation of the Iowa Core Curriculum, overall increased student achievement with special emphasis on reading, math and science, and teacher leadership through professional learning communities. The District goals continue to focus on all students graduating from high school, all students meeting end-of-year grade proficiencies in reading, math and science and providing a modern and secure facility.

### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

*Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

*Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

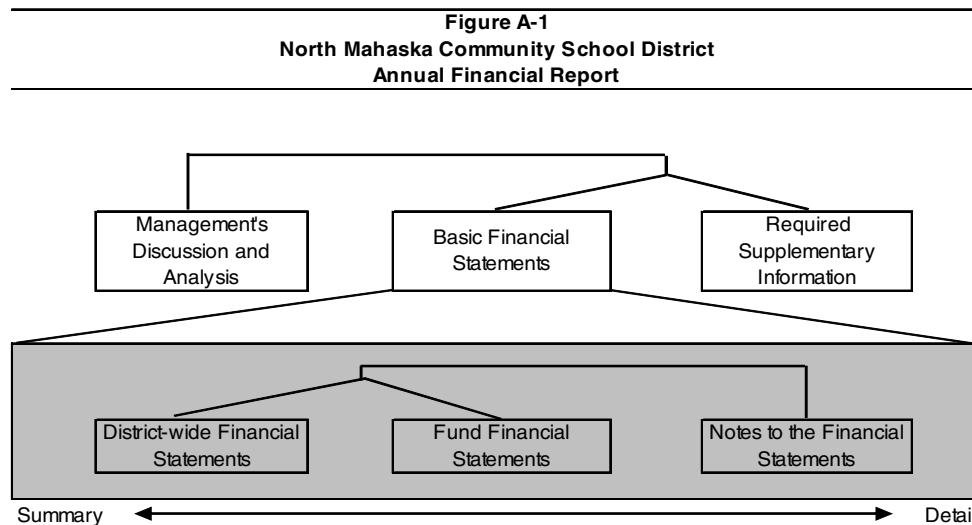


Figure A-2 summarizes the major features of the District's financial statements, including a portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	> Statement of Net Position > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of Net Position > Statement of revenues, expenses and changes in fund Net Position > Statement of cash flows	> Statement of fiduciary Net Position > Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

*Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

*Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

*Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust (scholarships) and Agency Funds.

**Montezuma Community School District  
Management's Discussion and Analysis  
June 30, 2015**

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

**Figure A-3  
Condensed Statement of Net Position  
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		2014-2015
	2015	restated)	2015	restated)	2015	restated)	
Current and other assets	\$ 9,828	8,089	27	22	9,855	8,111	21.5%
Capital assets	9,579	8,279	39	51	9,618	8,330	15.5%
Total assets	19,407	16,368	66	73	19,473	16,441	18.4%
Deferred outflows of resources	404	-	11	-	415	-	-
Long-term liabilities	12,487	8,520	56	3	12,543	8,523	47.2%
Other liabilities	1,596	1,029	43	46	1,639	1,075	52.5%
Total liabilities	14,083	9,549	99	49	14,182	9,598	47.8%
Deferred inflows of resources	4,427	3,028	20	-	4,447	3,028	-
Net Position:							
Invested in capital assets, net of related debt	1,235	2,077	39	51	1,274	2,128	-40.1%
Restricted	1,814	1,021	-	-	1,814	1,021	77.7%
Unrestricted	(1,748)	693	(81)	(27)	(1,829)	666	-374.6%
Total Net Position	\$ 1,301	3,791	(42)	24	1,259	3,815	-67.0%

The District has a solvency ratio of 23.5% which is nearly the same as FY13. Experts recommend a solvency ratio between 5-15 percent, but also say that smaller schools may benefit from a higher solvency rate given the greater vulnerability of smaller budgets to finance shortfalls. Other financial indicators include a 23.5% unspent authorized balance, unreserved/undesignated/unrestricted fund balance of 22.4% of general fund expenditures, and 80% staff expense as a percentage of the general fund expenditures.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,442,610 and \$66,491, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Montezuma Community School District  
Management's Discussion and Analysis  
June 30, 2015**

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

<b>Figure A-4 Changes in Net Position (Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014		2014		2014		
	(Not		(Not		(Not		
	2015		2015		2015		2014-2015
	restated)		restated)		restated)		
Revenues:							
Program revenues:							
Charges for service	\$ 501	378	168	164	669	542	23.4%
Operating grants, contributions and restricted interest	835	1,151	115	120	950	1,271	-25.3%
General revenues:							
Property tax	2,776	3,020	-	-	2,776	3,020	-8.1%
Statewide sales, service and use tax	523	462	-	-	523	462	13.2%
Unrestricted state grants	1,904	1,410	-	-	1,904	1,410	35.0%
Unrestricted investment earnings	3	34	-	-	3	34	-91.2%
Other	459	99	-	-	459	99	363.6%
Total revenues	7,001	6,554	283	284	7,284	6,838	6.5%
Program expenses:							
Governmental activities:							
Instruction	4,407	4,291	-	-	4,407	4,291	2.7%
Support services	1,553	1,704	-	-	1,553	1,704	-8.9%
Non-instructional programs	-	-	283	334	283	334	-15.3%
Other expenses	1,089	1,041	-	-	1,089	1,041	4.6%
Total expenses	7,049	7,036	283	334	7,332	7,370	-0.5%
Change in Net Position	\$ (48)	(482)	-	(50)	(48)	(532)	-91.0%

In the 2013-14 school year:

Property tax revenues were levied to begin a \$7.29 million infrastructure remodeling project including HVAC, electrical and plumbing. Construction began June 2013 with expected completion August 2014.

The District used the Physical Plant and Equipment Levy (PPEL) Fund for computer & iPad purchases. The District is not a 1:1 district, but the number of computers in the building gives the ability to have an electronic device available for every student during the school day, if needed. Additional PPEL funds were used to purchase Mimio teaching boards and projectors, completing our goal in providing one for every teacher. Money will continue to be budgeted for technology expenses for years to come.

Sales tax revenues were used to purchase new gymnasium bleachers, football grandstands, and concrete work in various areas of the school property.

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

<b>Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)</b>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2014			2014		
	2015	(Not restated)	2014-2015	2015	(Not restated)	2014-2015
Instruction	\$ 4,407	4,291	2.7%	\$ 3,303	2,975	11.0%
Support services	1,553	1,704	-8.9%	1,553	1,704	-8.9%
Other expenses	1,089	1,040	4.7%	858	827	3.7%
Totals	\$ 7,049	7,035	0.2%	\$ 5,714	5,506	3.8%

The cost of all governmental activities this year was \$7,035,000. The increase of \$771,000 was due to increased costs in the instruction and other expense functions which is attributed to increased employee salaries and benefits and due to construction costs. In addition, the district paid \$175,923.80 in asbestos removal from the General Fund. The district's request to the SBRC for \$175,923.80 in MAG beginning in FY 2015 was approved.

The net portion of the governmental activities was financed with \$3,483,000 in property and sales tax and \$1,410,000 in state sources.

#### **Business-type Activities**

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities were \$283,544. Expenses were \$333,999.

#### **Financial Analysis of the District Funds**

As previously noted, the Montezuma Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

#### **Governmental Fund Highlights**

The District's General Fund balance changed from \$1,305,134 in fiscal 2013 to \$855,689 in fiscal 2014. This was due to a payment made for asbestos removal. In fiscal 2014 the District applied for SBRC modified allowable growth for the removal of asbestos in the building. In order for this to be approved the District must make these payments from the General Fund.

The District's Management Fund balance changed from \$275,418 in fiscal 2013 to \$187,665 in fiscal 2014. This was due to a decrease in local revenue sources.

The District's Capital Projects Fund balance changed from \$2,784,996 in fiscal 2013 to \$2,489,362 in fiscal 2014 due to the construction projects.

#### **Budgetary Highlights**

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Asset and Debt Administration

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 321	321	-	-	321	321	0.0%
Construction in progress	864	6,655	-	-	864	6,655	-87.0%
Buildings	8,157	1,114	-	-	8,157	1,114	632.2%
Improvements other than buildings	64	65	-	-	64	65	-1.5%
Furniture and equipment	174	124	39	51	213	175	21.7%
Totals	\$ 9,580	8,279	39	51	9,619	8,330	15.5%

By the end of fiscal year 2014, the District had invested \$8,330,000, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

Long-term Debt

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 9,010	6,050	48.9%
Revenue bonds	2,000	2,100	-4.8%
Bond premiums	158	107	47.7%
Bond discounts	(96)	(82)	17.1%
Early retirement	114	170	-32.9%
Net pension liability	1,951	-	-
Other postemployment benefits	72	94	-23.4%
Totals	\$ 13,209	8,439	56.5%

At year-end, the District had \$9,010,000 in general obligation bond debt, \$2,000,000 in sales tax revenue bond debt and \$2,199,000 in other long-term outstanding debt. This represents a decrease from last year. All areas of long-term liabilities decreased.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums
- Employee salaries & benefits
- Budget concerns at the State level
- Enrollment

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dave Versteeg, Superintendent, Montezuma School District, 504 North 4<sup>th</sup> Street, PO Box 580, Montezuma, Iowa, 50171.

## **Basic Financial Statements**

**Montezuma Community School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,897,068	23,460	5,920,528
Receivables:			
Property tax:			
Delinquent	22,794	-	22,794
Succeeding year	3,409,727	-	3,409,727
Accounts	836	-	836
Income surtax	273,666	-	273,666
Due from other governments	172,389	-	172,389
Due from other funds	51,000	-	51,000
Inventories	-	4,312	4,312
Capital assets, net of accumulated depreciation	9,579,440	38,515	9,617,955
<b>Total assets</b>	<b>19,406,920</b>	<b>66,287</b>	<b>19,473,207</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	403,963	10,938	414,901
<b>Liabilities</b>			
Accounts payable	308,379	916	309,295
Salaries and benefits payable	503,753	8,531	512,284
Accrued interest payable	40,478	-	40,478
Advances from prepaid lunches	-	3,876	3,876
Advances for premiums	415	-	415
Due to other funds	21,000	30,000	51,000
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	575,000	-	575,000
Revenue bonds	110,000	-	110,000
Early retirement	36,800	-	36,800
Portion due after one year:			
General obligation bonds	8,493,420	-	8,493,420
Revenue bonds	1,893,522	-	1,893,522
Early retirement	77,600	-	77,600
Net pension liability	1,950,667	53,100	2,003,767
Net OPEB liability	71,797	2,627	74,424
<b>Total liabilities</b>	<b>14,082,831</b>	<b>99,050</b>	<b>14,181,881</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,409,727	-	3,409,727
Income surtax	273,666	-	273,666
Pension related deferred inflows	743,928	20,251	764,179
	<b>4,427,321</b>	<b>20,251</b>	<b>4,447,572</b>
<b>Net Position</b>			
Net investment in capital assets	1,235,352	38,515	1,273,867
Restricted for:			
Categorical funding	32,703	-	32,703
Debt service	445,133	-	445,133
Management levy purposes	28,009	-	28,009
Student activities	174,506	-	174,506
Physical plant and equipment levy	27,016	-	27,016
Capital projects	1,106,063	-	1,106,063
Unrestricted	(1,748,051)	(80,591)	(1,828,642)
<b>Total net position</b>	<b>\$ 1,300,731</b>	<b>(42,076)</b>	<b>1,258,655</b>

See notes to financial statements.



**Montezuma Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,501,689	174,192	374,952	(1,952,545)	-	(1,952,545)
Special instruction	706,037	24,321	217,903	(463,813)	-	(463,813)
Other instruction	1,199,538	302,666	10,616	(886,256)	-	(886,256)
	<u>4,407,264</u>	<u>501,179</u>	<u>603,471</u>	<u>(3,302,614)</u>	<u>-</u>	<u>(3,302,614)</u>
Support Services:						
Student	30,164	-	-	(30,164)	-	(30,164)
Instructional staff	68,776	-	-	(68,776)	-	(68,776)
Administration	636,817	-	-	(636,817)	-	(636,817)
Operating and maintenance of plant	503,087	-	-	(503,087)	-	(503,087)
Transportation	313,945	-	-	(313,945)	-	(313,945)
	<u>1,552,789</u>	<u>-</u>	<u>-</u>	<u>(1,552,789)</u>	<u>-</u>	<u>(1,552,789)</u>
Other expenditures:						
Facilities acquisition	96,328	-	-	(96,328)	-	(96,328)
Long-term debt interest	201,151	-	-	(201,151)	-	(201,151)
AEA flowthrough	231,372	-	231,372	-	-	-
Depreciation (unallocated)*	560,548	-	-	(560,548)	-	(560,548)
	<u>1,089,399</u>	<u>-</u>	<u>231,372</u>	<u>(858,027)</u>	<u>-</u>	<u>(858,027)</u>
Total governmental activities	7,049,452	501,179	834,843	(5,713,430)	-	(5,713,430)
Business type activities:						
Non-instructional programs:						
Food service operations	280,123	167,741	115,567	-	3,185	3,185
	<u>280,123</u>	<u>167,741</u>	<u>115,567</u>	<u>-</u>	<u>3,185</u>	<u>3,185</u>
Total primary government	<u>\$ 7,329,575</u>	<u>668,920</u>	<u>950,410</u>	<u>(5,713,430)</u>	<u>3,185</u>	<u>(5,710,245)</u>

Exhibit B

**Montezuma Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 7,329,575	668,920	950,410	(5,713,430)	3,185	(5,710,245)
General Revenues:						
Property tax levied for:						
General purposes				2,269,776	-	2,269,776
Debt service				419,531	-	419,531
Capital outlay				86,231	-	86,231
Statewide sales, services and use tax				523,405	-	523,405
Unrestricted state grants				1,904,035	-	1,904,035
Unrestricted investment earnings				3,333	8	3,341
Other				388,391	-	388,391
Loss on sale of equipment				-	(3,027)	(3,027)
Contributions not restricted to specific programs				71,049	-	71,049
Total general revenues				5,665,751	(3,019)	5,662,732
Change in net position				(47,679)	166	(47,513)
Net position beginning of year, as restated				1,348,410	(42,242)	1,306,168
Net position end of year				\$ 1,300,731	(42,076)	1,258,655

\* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

## Exhibit C

**Montezuma Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Debt Service	Capital Projects	Non-major	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,156,776	281,040	4,131,612	327,640	5,897,068
Receivables:					
Property tax:					
Delinquent	17,610	3,445	708	1,031	22,794
Succeeding year	2,342,866	416,512	450,349	200,000	3,409,727
Income surtax	273,666	-	-	-	273,666
Accounts	836	-	-	-	836
Due from other funds	30,000	21,000	-	-	51,000
Due from other governments	91,355	-	81,034	-	172,389
<b>Total assets</b>	<b>\$ 3,913,109</b>	<b>721,997</b>	<b>4,663,703</b>	<b>528,671</b>	<b>9,827,480</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 145,743	-	151,295	11,341	308,379
Salaries and benefits payable	503,753	-	-	-	503,753
Due to other funds	-	-	21,000	-	21,000
Advances for premiums	-	-	-	415	415
<b>Total liabilities</b>	<b>649,496</b>	<b>-</b>	<b>172,295</b>	<b>11,756</b>	<b>833,547</b>
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	2,342,866	416,512	450,349	200,000	3,409,727
Income surtax	273,666	-	-	-	273,666
<b>Total deferred inflow of resources</b>	<b>2,616,532</b>	<b>416,512</b>	<b>450,349</b>	<b>200,000</b>	<b>3,683,393</b>
Fund balances:					
Restricted for:					
Categorical funding	32,703	-	-	-	32,703
Debt service	-	305,485	180,125	-	485,610
Management levy purposes	-	-	-	142,409	142,409
Student activities	-	-	-	174,506	174,506
School infrastructure	-	-	1,106,063	-	1,106,063
Physical plant and equipment	-	-	2,754,871	-	2,754,871
Unassigned	614,378	-	-	-	614,378
<b>Total fund balances</b>	<b>647,081</b>	<b>305,485</b>	<b>4,041,059</b>	<b>316,915</b>	<b>5,310,540</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,913,109</b>	<b>721,997</b>	<b>4,663,703</b>	<b>528,671</b>	<b>9,827,480</b>

See notes to financial statements.

Exhibit D

**Montezuma Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2015**

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**Total fund balances of governmental funds (Exhibit C)** \$ 5,310,540

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$ 320,973	
Construction in progress	863,960	
Buildings, net	8,157,175	
Improvements, net	63,772	
Equipment, net	173,560	
	9,579,440	

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	403,963	
Deferred inflows of resources	(743,928)	(339,965)

Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	(9,010,000)	
Revenue bonds payable	(2,000,000)	
Bond discounts, net	95,575	
Bond premiums, net	(157,517)	
Accrued interest	(40,478)	
Early retirement	(114,400)	
Net pension liability	(1,950,667)	
Net OPEB liability	(71,797)	(13,249,284)

**Net position of governmental activities (Exhibit A)** \$ 1,300,731

See notes to financial statements.

## Exhibit E

**Montezuma Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2015**

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 2,461,932	419,531	86,231	125,575	3,093,269
Tuition	192,406	-	-	-	192,406
Other	62,198	112	13,583	375,349	451,242
State sources	2,603,177	-	523,405	-	3,126,582
Federal sources	138,274	-	-	-	138,274
Total revenues	5,457,987	419,643	623,219	500,924	7,001,773
Expenditures:					
Current:					
Instruction:					
Regular	2,496,365	-	75,843	79,786	2,651,994
Special	726,348	-	-	-	726,348
Other	883,845	-	-	325,732	1,209,577
	4,106,558	-	75,843	405,518	4,587,919
Support services:					
Student	31,033	-	-	-	31,033
Instructional staff	70,755	-	-	-	70,755
Administration	634,604	-	24,007	1,651	660,262
Operation and maintenance of plant	384,470	-	30,169	91,621	506,260
Transportation	207,803	-	54,515	8,254	270,572
	1,328,665	-	108,691	101,526	1,538,882
Other expenditures:					
Facilities acquisition	-	-	2,025,865	-	2,025,865
Long-term debt:					
Principal	-	380,000	-	-	380,000
Interest and fiscal charges	-	186,038	-	-	186,038
AEA flowthrough	231,372	-	-	-	231,372
	231,372	566,038	2,025,865	-	2,823,275
Total expenditures	5,666,595	566,038	2,210,399	507,044	8,950,076
(Deficiency) of revenues (under) expenditures	(208,608)	(146,395)	(1,587,180)	(6,120)	(1,948,303)
Other financing sources (uses):					
Issuance of bonds	-	-	3,240,000	-	3,240,000
Premiums on bonds issued	-	-	63,077	-	63,077
Discounts on bonds issued	-	-	(20,370)	-	(20,370)
Issuance costs on bonds issued	-	-	(10,400)	-	(10,400)
Operating transfers in	-	157,671	1,090,000	-	1,247,671
Operating transfers out	-	-	(1,247,671)	-	(1,247,671)
Total other financing sources (uses)	-	157,671	3,114,636	-	3,272,307
Net change in fund balances	(208,608)	11,276	1,527,456	(6,120)	1,324,004
Fund balances beginning of year	855,689	294,209	2,513,603	323,035	3,986,536
Fund balances end of year	\$ 647,081	305,485	4,041,059	316,915	5,310,540

See notes to financial statements.

## Exhibit F

**Montezuma Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2015**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,324,004**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,060,658		
Depreciation expense	(629,225)		
Disposal of capital assets	(131,121)		
			1,300,312

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

GO bonds issued	(3,282,707)		
GO bonds repaid	280,000		
Revenue bonds repaid	100,000		
Amortization of bond premiums	12,643		
Amortization of bond discounts	(6,946)		
			(2,897,010)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(4,713)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position.

298,215

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	22,550		
Pension expense	(146,237)		
Early retirement	55,200		
			(68,487)

**Change in net position of governmental activities (Exhibit B)** **\$ (47,679)**

See notes to financial statements.

**Montezuma Community School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2015**

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 23,460
Inventories	4,312
Total current assets	<u>27,772</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	170,402
Accumulated depreciation	(131,887)
Total non-current assets	<u>38,515</u>
<b>Total assets</b>	<u>66,287</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>10,938</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	916
Salaries and benefits payable	8,531
Advances from prepaid lunches	3,876
Due to other funds	30,000
Total current liabilities	<u>43,323</u>
Non-current liabilities:	
Net pension liability	53,100
Net OPEB liability	2,627
Total non-current liabilities	<u>55,727</u>
<b>Total liabilities</b>	<u>99,050</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>20,251</u>
<b>Net Position</b>	
Net Investment in capital assets	38,515
Unrestricted	(80,591)
<b>Total net position</b>	<u>\$ (42,076)</u>

See notes to financial statements.

Exhibit H

**Montezuma Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year ended June 30, 2015**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 167,741
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	91,606
Benefits	30,494
Supplies	148,074
Depreciation	9,949
Total operating expenses	280,123
Operating loss	(112,382)
Non-operating revenue:	
Interest income	8
State sources	2,002
Federal sources	113,565
Total non-operating revenue	115,575
Non-operating expense	
Loss on sale of equipment	(3,027)
Change in net position	166
Net position beginning of year, as restated	(42,242)
Net position end of year	\$ (42,076)

See notes to financial statements.



**Montezuma Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2015**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,741
Cash payments to employees for services	(130,098)
Cash payments to suppliers for goods or services	(128,638)
Net cash used by operating activities	(90,995)
Cash flows from non-capital financing activities:	
State grants received	2,002
Federal grants received	96,849
Proceeds from other funds	-
Net cash provided by non-capital financing activities	98,851
Cash flows from capital and related financing activities:	
Disposal of capital assets	
Cash flows from investing activities:	
Interest on investments	8
Net increase in cash and cash equivalents	7,864
Cash and cash equivalents at beginning of year	15,596
Cash and cash equivalents at end of year	\$ 23,460
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (112,382)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,716
Depreciation	9,949
Decrease in inventories	1,805
Decrease in accounts receivable	-
Decrease in due from other governments	-
Increase in accounts payable	916
(Decrease) in salaries and benefits payable	(3,096)
Increase in deferred revenue	-
(Decrease) in net pension liability	(21,215)
(Increase) in deferred outflows of resources	(3,143)
Increase in deferred inflows of resources	20,280
(Decrease) in other postemployment benefits	(825)
Net cash used by operating activities	\$ (90,995)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 23,460
Cash and cash equivalents at year end	\$ 23,460

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received \$16,716 of federal commodities.

See notes to financial statements.

**Montezuma Community School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 33,792	1,034
<b>Total assets</b>	<u>\$ 33,792</u>	<u>1,034</u>
<b>Liabilities</b>		
Due to other groups	\$ 1,266	1,034
<b>Total Liabilities</b>	<u>\$ 1,266</u>	<u>1,034</u>
<b>Net position</b>		
Reserved for scholarships	<u>\$ 32,526</u>	<u>-</u>

See notes to financial statements.

**Montezuma Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2015**

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 14,310
Interest on investments	18
Total additions	14,328
Deductions:	
Instruction:	
Regular:	
Supplies	2,069
Scholarships awarded	7,400
	9,469
Change in net position	4,859
Net position beginning of year	27,667
Net position end of year	\$ 32,526

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Montezuma Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Montezuma, Iowa and the predominate agricultural territory in a portion Poweshiek county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montezuma Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Montezuma Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds::

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years
Intangibles	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances - Proceeds received by the District for which services will be rendered in the succeeding fiscal year, such as prepaid lunch money.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education



removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did exceed the amounts budgeted in the other expenditure functional area.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,943,062 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables for the year ended June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 30,000
Debt service	Capital Projects-Physical Plant and Equipment Levy	21,000

The balance is to be repaid by June 30, 2016.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects-Statewide Sales, Services and Use Tax	\$ 157,671
Capital Projects - Other Capital Projects	Capital Projects-Statewide Sales, Services and Use Tax	1,090,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 320,973	-	-	320,973
Construction in progress	6,655,236	863,960	6,655,236	863,960
Total capital assets not being depreciated	6,976,209	863,960	6,655,236	1,184,933
Capital assets being depreciated:				
Buildings	4,075,068	7,638,935	76,103	11,637,900
Improvements other than buildings	193,583	8,475	10,338	191,720
Furniture and equipment	1,052,083	204,524	272,766	983,841
Total capital assets being depreciated	5,320,734	7,851,934	359,207	12,813,461
Less accumulated depreciation for:				
Buildings	2,960,774	545,319	25,368	3,480,725
Improvements other than buildings	129,477	8,809	10,338	127,948
Furniture and equipment	927,564	75,097	192,380	810,281
Total accumulated depreciation	4,017,815	629,225	228,086	4,418,954
Total capital assets being depreciated, net	1,302,919	7,222,709	131,121	8,394,507
Governmental activities capital assets, net	\$ 8,279,128	8,086,669	6,786,357	9,579,440
<b>Business type activities:</b>				
Furniture and equipment	\$ 175,592	-	5,190	170,402
Less accumulated depreciation	124,101	9,949	2,163	131,887
Business type activities capital assets, net	\$ 51,491	(9,949)	3,027	38,515

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 248
Other	14,676

Support services:

Operation and maintenance of plant	7,568
Transportation	46,185
	68,677

Unallocated

Total governmental activities depreciation expense	\$ 629,225
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Business type activities:

Food services	\$ 9,949
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,050,000	3,240,000	280,000	9,010,000	575,000
Bond premiums	72,305	63,077	10,325	125,057	12,644
Bond discounts	(51,146)	(20,370)	(4,878)	(66,638)	4,878
Revenue bonds	2,100,000	-	100,000	2,000,000	110,000
Bond premiums	34,778	-	2,318	32,460	2,319
Bond discounts	(31,004)	-	(2,067)	(28,937)	2,067
Early retirement	169,600	36,800	92,000	114,400	36,800
Net pension liability	2,442,610	-	491,943	1,950,667	-
Net OPEB liability	94,347	-	22,550	71,797	-
Total	\$ 10,881,490	3,319,507	992,191	13,208,806	743,708
Business type activities:					
Net pension liability	\$ 66,491	-	13,391	53,100	-
Net OPEB liability	3,452	-	825	2,627	-
Total	\$ 69,943	-	14,216	55,727	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 285,000	131,512	416,512
2017	2.00%	290,000	125,813	415,813
2018	2.00%	300,000	120,012	420,012
2019	2.00%	305,000	114,013	419,013
2020	2.00%	310,000	107,912	417,912
2021	2.00%	315,000	101,713	416,713
2022	2.00%	325,000	95,412	420,412
2023	2.00%	330,000	88,913	418,913
2024	2.00%	335,000	82,312	417,312
2025	2.25%	340,000	75,613	415,613
2026	2.25%	350,000	67,962	417,962
2027	2.50%	360,000	60,088	420,088
2028	2.50%	365,000	51,087	416,087
2029	2.50%	375,000	41,963	416,963
2030	2.75%	385,000	32,587	417,587
2031	2.75%	395,000	22,000	417,000
2032	2.75%	405,000	11,138	416,138
Total		\$ 5,770,000	1,330,050	7,100,050

**Montezuma Community School District**  
**Notes to Financial Statements**  
**June 30, 2015**

Bond Issue of May 5, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 290,000	69,480	359,480
2017	2.00%	300,000	59,000	359,000
2018	2.00%	310,000	53,000	363,000
2019	2.00%	315,000	46,800	361,800
2020	2.00%	320,000	40,500	360,500
2021	2.00%	325,000	34,100	359,100
2022	2.00%	335,000	27,600	362,600
2023	2.00%	340,000	20,900	360,900
2024	2.00%	350,000	14,100	364,100
2025	2.25%	355,000	7,100	362,100
Total		\$ 3,240,000	372,580	3,612,580

Total General Obligation Bonds				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 575,000	200,992	775,992
2017	2.00%	590,000	184,813	774,813
2018	2.00%	610,000	173,012	783,012
2019	2.00%	620,000	160,813	780,813
2020	2.00%	630,000	148,412	778,412
2021	2.00%	640,000	135,813	775,813
2022	2.00%	660,000	123,012	783,012
2023	2.00%	670,000	109,813	779,813
2024	2.00%	685,000	96,412	781,412
2025	2.25%	695,000	82,713	777,713
2026	2.25%	350,000	67,962	417,962
2027	2.50%	360,000	60,088	420,088
2028	2.50%	365,000	51,087	416,087
2029	2.50%	375,000	41,963	416,963
2030	2.75%	385,000	32,587	417,587
2031	2.75%	395,000	22,000	417,000
2032	2.75%	405,000	11,138	416,138
Total		\$ 9,010,000	1,702,630	10,712,630

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of March 1, 2013			
	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 110,000	45,575	155,575
2017	2.00%	110,000	43,375	153,375
2018	2.00%	115,000	41,125	156,125
2019	2.00%	115,000	38,825	153,825
2020	2.00%	115,000	36,525	151,525
2021	2.00%	120,000	34,175	154,175
2022	2.00%	120,000	31,775	151,775
2023	2.00%	125,000	29,325	154,325
2024	2.50%	130,000	26,775	156,775
2025	2.50%	130,000	23,850	153,850
2026	2.50%	135,000	20,538	155,538
2027	2.50%	140,000	17,100	157,100
2028	3.00%	140,000	13,600	153,600
2029	3.00%	145,000	9,675	154,675
2030	3.00%	250,000	5,250	255,250
Total		\$ 2,000,000	417,488	2,417,488

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,417,488. For the current year, \$147,673 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$523,405.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$158,850 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2015.

**(7) Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$312,011.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,003,767 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.049511 percent, which was a decrease of 0.000018 from its proportion measured as of June 30, 2013.

**Montezuma Community School District**  
**Notes to Financial Statements**  
**June 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$156,056. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,777	-
Changes of assumptions	88,431	-
Net difference between projected and actual earnings on pension plan investments	-	764,179
Changes in proportion and differences between District contributions and proportionate share of contributions	(1,101)	-
District contributions subsequent to the measurement date	295,237	-
Total	<u>\$ 404,344</u>	<u>764,179</u>

\$295,237 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (165,553)
2017	(165,553)
2018	(165,553)
2019	(165,553)
2020	7,140
	<u>\$ (655,072)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 3,786,062	\$ 2,003,767	\$ 499,326

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$25,048 for legally required employer contributions and \$16,684 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### (8) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 72 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.



The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	102,000
Interest on net OPEB obligation		4,401
Adjustment to annual required contribution		(3,776)
Annual OPEB cost		102,625
Contributions made		(126,000)
(Decrease) in net OPEB obligation		(23,375)
Net OPEB obligation beginning of year		97,799
Net OPEB obligation end of year	\$	74,424

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$36,800 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 126,000	57.90%	\$ 53,000
June 30, 2011	126,344	67.30%	94,344
June 30, 2012	126,612	64.80%	138,956
June 30, 2013	103,000	113.55%	125,000
June 30, 2014	102,000	127.45%	97,799
June 30, 2015	102,625	122.78%	74,424

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,010,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,010,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,412,777, and the ratio of the UAAL to covered payroll was 29.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Termination Benefits**

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 10 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a benefit of \$400 per month for health insurance until reaching age 65 and a onetime lump sum payment based on the difference between the employee's annual contract salary in effect at the date of retirement and the amount of Step 4, BA lane of the Schedule 1 Salary Schedule in the Master Contract for the year the employee's retirement become effective. At June 30, 2015, the District had obligations to 10 participants with a total liability of \$114,400.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$231,372 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(13) Construction Commitment**

The District has entered into a contract totaling \$3,850,000 for a gym addition. As of June 30, 2015, costs of \$863,960 had been incurred against the contract. The balance of \$2,986,040 remaining at June 30, 2015, will be paid as work on the project progresses.

(14) Accounting Change/Restatement

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 3,791,020	24,249
Net pension liability at June 30, 2014	(2,730,023)	(74,315)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	287,413	7,824
Net position July 1, 2014, as restated:	<u>\$ 1,348,410</u>	<u>(42,242)</u>

### **Required Supplementary Information**

**Montezuma Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,736,917	167,749	3,904,666	4,130,499	(225,833)
State sources	3,126,582	2,002	3,128,584	2,737,608	390,976
Federal sources	138,274	113,565	251,839	323,629	(71,790)
Total revenues	7,001,773	283,316	7,285,089	7,191,736	93,353
Expenditures:					
Instruction	4,587,919	-	4,587,919	4,610,000	22,081
Support services	1,538,882	-	1,538,882	1,599,000	60,118
Non-instructional programs	-	280,123	280,123	350,000	69,877
Other expenditures	2,823,275	-	2,823,275	2,315,115	(508,160)
Total expenditures	8,950,076	280,123	9,230,199	8,874,115	(356,084)
(Deficiency) of revenues (under) expenditures	(1,948,303)	3,193	(1,945,110)	(1,682,379)	(262,731)
Other financing sources, net	3,272,307	(3,027)	3,269,280	-	3,269,280
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,324,004	166	1,324,170	(1,682,379)	3,006,549
Balances beginning of year, as restated	3,986,536	(42,242)	3,944,294	4,161,971	(217,677)
Balances end of year	\$ 5,310,540	(42,076)	5,268,464	2,479,592	2,788,872

See accompanying independent auditor's report.

**Montezuma Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

**Montezuma Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**Last Fiscal Year\* (In Thousands)**  
**Required Supplementary Information**

	2015
District's proportion of the net pension liability	0.049511%
District's proportion of the net pension pension liability	\$ 2,004
District's covered-employee payroll	\$ 3,216
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.31%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Montezuma Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 312	295	278	239	206	199	183	156	157	150
Contributions in relation to the statutorily required contribution	(312)	(295)	(278)	(239)	(206)	(199)	(183)	(156)	(157)	(150)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,413	3,216	3,135	2,967	2,967	2,999	2,877	2,575	2,738	2,614
Contributions as a percentage of covered-employee payroll	9.14%	9.17%	8.87%	8.06%	6.94%	6.64%	6.36%	6.06%	5.73%	5.74%

See accompanying independent auditor's report.



**Montezuma Community School District**  
**Notes to Required Supplementary Information - Pension Liability**  
**Year ended June 30, 2015**

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Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Montezuma Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	831,000	831,000	0.0%	2,455,000	33.8%
2011	July 1, 2009	-	831,000	831,000	0.0%	2,611,000	31.8%
2012	July 1, 2009	-	831,000	831,000	0.0%	2,626,000	31.6%
2013	July 1, 2012	-	1,010,000	1,010,000	0.0%	3,207,000	31.5%
2014	July 1, 2012	-	1,010,000	1,010,000	0.0%	3,320,796	30.4%
2015	July 1, 2012	-	1,010,000	1,010,000	0.0%	3,412,777	29.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

## Schedule 1

**Montezuma Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 141,793	185,847	327,640
Receivables:			
Property tax:			
Delinquent	1,031	-	1,031
Succeeding year	200,000	-	200,000
<b>Total assets</b>	<b>\$ 342,824</b>	<b>185,847</b>	<b>528,671</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	11,341	11,341
Advances for premiums	415	-	415
Total liabilities	415	11,341	11,756
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	200,000	-	200,000
Total deferred inflows of resources	200,000	-	200,000
Fund balances:			
Restricted for:			
Management levy purposes	142,409	-	142,409
Student activities	-	174,506	174,506
Total fund balances	142,409	174,506	316,915
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 342,824</b>	<b>185,847</b>	<b>528,671</b>

See accompanying independent auditor's report.

## Schedule 2

**Montezuma Community School District****Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-Major Governmental Funds****Year ended June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 125,575	-	125,575
Other	10,481	364,868	375,349
Total revenues	136,056	364,868	500,924
Expenditures:			
Current:			
Instruction:			
Regular	79,786	-	79,786
Other	-	325,732	325,732
Support Services:			
Administration	1,651	-	1,651
Operation and maintenance of plant	91,621	-	91,621
Transportation	8,254	-	8,254
Total expenditures	181,312	325,732	507,044
Excess (deficiency) of revenues over (under) expenditures	(45,256)	39,136	(6,120)
Fund balances beginning of year	187,665	135,370	323,035
Fund balances end of year	\$ 142,409	174,506	316,915

See accompanying independent auditor's report.

## Schedule 3

**Montezuma Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH Heritage Trip	\$ 1,685	55,151	42,208	14,628
Speech and Drama	6,741	11,128	4,075	13,794
Winterguard	583	2,431	2,450	564
Instrumental Music	818	-	297	521
Vocal Music	2,561	4,788	5,607	1,742
Band Uniforms	1,929	239	37	2,131
Track	376	1,550	1,451	475
Athletics	6,014	52,329	53,211	5,132
Football	6,740	22,417	18,262	10,895
District 6 Football	16	500	466	50
Baseball	-	4,920	4,395	525
Golf	149	-	-	149
Boy's Basketball	(1)	4,367	4,181	185
Girl's Basketball	6,211	6,122	8,186	4,147
Volleyball	1,079	7,195	5,359	2,915
Softball	1,806	626	1,939	493
Wrestling	1,898	8,183	7,093	2,988
Math Club	917	275	924	268
Academic Fair	197	-	-	197
Torch Club	624	38	96	566
FFA	25,100	75,446	75,496	25,050
JH Student Council	1,602	-	277	1,325
Class of 2014	2,070	-	2,070	-
HS Student Council	1,103	3,089	1,985	2,207
Football Cheerleaders	1,482	7,783	6,567	2,698
Competition Cheer	237	-	-	237
Basketball Cheerleaders	956	1,686	1,863	779
Class of 2015	1,344	161	50	1,455
Class of 2016	296	6,377	5,671	1,002
Class of 2017	18	1,064	1,044	38
School Clay Target Shooting Club	13,307	31,331	26,767	17,871
Spanish Club	15,512	30,592	33,521	12,583
Yearbook	21,694	10,280	4,309	27,665
Elementary Activities	10,306	2,816	3,022	10,100
Preschool	-	8,485	-	8,485
HS Activities	-	3,499	2,853	646
Totals	\$ 135,370	364,868	325,732	174,506

See accompanying independent auditor's report.

## Schedule 4

**Montezuma Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2015**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,321,350	28,166	2,782,096	4,131,612
Receivables:				
Property tax:				
Delinquent	-	-	708	708
Succeeding year	-	-	450,349	450,349
Due from other governments	81,034	-	-	81,034
<b>Total assets</b>	<b>\$ 1,402,384</b>	<b>28,166</b>	<b>3,233,153</b>	<b>4,663,703</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 137,471	6,891	6,933	151,295
Due to other funds	-	-	21,000	21,000
Total liabilities	137,471	6,891	27,933	172,295
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	450,349	450,349
Total deferred inflows of resources	-	-	450,349	450,349
Fund balances:				
Restricted for:				
Debt service	158,850	21,275	-	180,125
School infrastructure	1,106,063	-	-	1,106,063
Physical plant and equipment	-	-	2,754,871	2,754,871
Total fund balances	1,264,913	21,275	2,754,871	4,041,059
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,402,384</b>	<b>28,166</b>	<b>3,233,153</b>	<b>4,663,703</b>

See accompanying independent auditor's report.

## Schedule 5

**Montezuma Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2015**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	86,231	86,231
Other	10,100	3,235	248	13,583
State sources	523,405	-	-	523,405
Total revenues	533,505	3,235	86,479	623,219
Expenditures:				
Instruction				
Regular	63,028	-	12,815	75,843
Support services:				
Administration	19,753	4,254	-	24,007
Operation and maintenance of plant	-	-	30,169	30,169
Student transportation	13,795	-	40,720	54,515
Other expenditures:				
Facilities acquisition	413,707	1,067,706	544,452	2,025,865
Total expenditures	510,283	1,071,960	628,156	2,210,399
Excess (deficiency) of revenues over (under) expenditures	23,222	(1,068,725)	(541,677)	(1,587,180)
Other financing sources (uses)				
Issuance of bonds			3,240,000	3,240,000
Premiums on bonds issued			63,077	63,077
Discounts on bonds issued			(20,370)	(20,370)
Issuance costs on bonds issued			(10,400)	(10,400)
Operating transfers in	-	1,090,000	-	1,090,000
Operating transfers out	(1,247,671)	-	-	(1,247,671)
Total other financing sources (uses)	(1,247,671)	1,090,000	3,272,307	3,114,636
Change in fund balances	(1,224,449)	21,275	2,730,630	1,527,456
Fund balances beginning of year	2,489,362	-	24,241	2,513,603
Fund balances end of year	\$ 1,264,913	21,275	2,754,871	4,041,059

See accompanying independent auditor's report.



**Montezuma Community School District**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust - Scholarship Funds**  
**June 30, 2015**

	Private Purpose Trust - Scholarship Funds				
	Miscellaneous Scholarship	Ellis Scholarship	Elementary Playground	FFA Scholarship	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,107	1,038	31,147	500	33,792
<b>Total assets</b>	<b>\$ 1,107</b>	<b>1,038</b>	<b>31,147</b>	<b>500</b>	<b>33,792</b>
<b>Liabilities</b>					
Liabilities:					
Due to other groups	\$ -	-	1,266	-	1,266
Total liabilities	-	-	1,266	-	1,266
<b>Net position</b>					
Reserved for scholarships	\$ 1,107	1,038	29,881	500	32,526

See accompanying independent auditor's report.

**Montezuma Community School District**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust - Scholarship Funds**  
**Year ended June 30, 2015**

	Private Purpose Trust - Scholarship Funds					Total
	Miscellaneous Scholarship	Ellis Scholarship	Elementary Playground	Math Fair	FFA Scholarship	
Additions:						
Gifts and contributions	\$ 1,100	-	10,010	700	2,500	14,310
Interest on investments	18	-	-	-	-	18
Total additions	1,118	-	10,010	700	2,500	14,328
Deductions:						
Instruction:						
Supplies	-	-	2,069	-	-	2,069
Scholarships awarded	1,500	3,200	-	700	2,000	7,400
Total deductions	1,500	3,200	2,069	700	2,000	9,469
Change in net position	(382)	(3,200)	7,941	-	500	4,859
Net position beginning of year	1,489	4,238	21,940	-	-	27,667
Net position end of year	\$ 1,107	1,038	29,881	-	500	32,526

See accompanying independent auditor's report.

**Montezuma Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2015**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 1,149	-	115	1,034
<b>Total assets</b>	<b>\$ 1,149</b>	<b>-</b>	<b>115</b>	<b>1,034</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,149	-	115	1,034
<b>Total liabilities</b>	<b>\$ 1,149</b>	<b>-</b>	<b>115</b>	<b>1,034</b>

See accompanying independent auditor's report.

**Montezuma Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,093,269	3,020,740	3,350,390	3,284,422	3,110,907	2,908,824	2,677,068	2,499,083	2,585,499	2,370,528
Tuition	192,406	141,144	233,619	254,964	205,759	175,571	349,736	362,711	378,226	300,238
Other	451,242	368,407	463,142	364,944	354,582	318,265	359,801	351,247	451,429	416,211
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	3,126,582	2,823,423	2,343,795	2,054,670	2,399,102	1,863,160	2,043,153	2,320,267	2,157,497	2,147,777
Federal sources	138,274	199,749	265,212	211,088	327,849	509,461	138,657	118,463	148,140	143,666
Total	<u>\$ 7,001,773</u>	<u>6,553,463</u>	<u>6,656,158</u>	<u>6,170,088</u>	<u>6,398,199</u>	<u>5,775,281</u>	<u>5,568,415</u>	<u>5,651,771</u>	<u>5,720,791</u>	<u>5,378,420</u>
Expenditures:										
Instruction:										
Regular	\$ 2,651,994	2,603,995	2,580,158	2,587,841	2,447,007	2,535,325	2,425,972	2,203,299	2,121,232	2,144,063
Special	726,348	684,123	524,886	562,669	553,318	713,520	696,045	566,180	651,536	756,251
Other	1,209,577	1,113,239	1,144,086	948,856	971,977	629,225	573,556	814,922	783,579	573,994
Support services:										
Student	31,033	20,485	20,554	15,489	29,747	16,747	16,852	6,546	26,394	31,655
Instructional staff	70,755	90,410	88,392	80,319	97,998	127,684	141,070	117,671	134,386	97,900
Administration	660,262	623,160	634,570	588,902	579,320	526,741	506,252	512,779	558,228	455,873
Operation and maintenance of plant	506,260	698,096	536,125	419,880	363,509	340,675	505,780	359,518	367,355	375,074
Transportation	270,572	201,625	194,584	216,875	209,571	275,611	187,366	305,327	199,974	220,386
Non-instructional programs	-	-	-	-	-	-	-	-	400	-
Other expenditures:										
Facilities acquisition	2,025,865	6,102,803	1,352,199	441,772	461,106	314,586	301,374	217,052	216,474	243,510
Long-term debt:										
Principal	380,000	275,000	345,000	-	-	-	-	11,239	10,802	57,126
Interest and other charges	186,038	183,675	147,546	-	-	-	-	455	893	2,218
AEA flowthrough	231,372	213,427	206,971	208,432	227,938	223,493	175,942	173,783	166,591	162,058
Total	<u>\$ 8,950,076</u>	<u>12,810,038</u>	<u>7,775,071</u>	<u>6,071,035</u>	<u>5,941,491</u>	<u>5,703,607</u>	<u>5,530,209</u>	<u>5,288,771</u>	<u>5,237,844</u>	<u>5,120,108</u>

See accompanying independent auditor's report.



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Montezuma Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Montezuma Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montezuma Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montezuma Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Montezuma Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A 2015-001) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Montezuma Community School District's Responses to Findings

Montezuma Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Montezuma Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montezuma Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

January 25, 2016

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.
- (2015-001)

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the other expenditure functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions were noted between the District and District officials or employees.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variance in the basic enrollment data certified to the Department of Education was noted.
8. Supplementary Weighting – A variance regarding the supplementary weighting certified to the Iowa Department of Education was noted.

Recommendation - The supplementary weighting should be corrected.

**Montezuma Community School District**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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Response - We will correct the supplementary weighting in the future.

Conclusion - Response accepted.

9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$	2,489,362
Revenues/transfers in:			
Sales tax revenues	\$	523,405	
Other local revenues		10,100	533,505
			<hr/>
			3,022,867
Expenditures/transfers out:			
School infrastructure construction		413,707	
Instruction		63,028	
Support services		33,548	
Transfers to other funds:			
Debt service funds		1,247,671	1,757,954
			<hr/>
Ending balance		\$	<u>1,264,913</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.